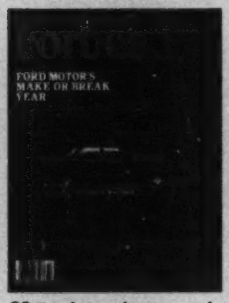
C3950-1
4/13/82

Forbes

FORD MOTOR'S MAKE-OR-BREAK YEAR

T2514030 SAMPLE 2226
JOSEPH MCNALLY 4780
SRI ACQUISITIONS DIR
4920 EAST WEST HWY
WASHINGTON DC 20014

April 25, 1983
Volume 131,
Number 9



98 Ford: Another try at the middle-market car—with a lot riding on it.

40 "Call them shareholder protective amendments"—maybe.

50 "The economic system cannot be disentangled from ethical concerns."

38 Accountants:
In Whom Do We Trust?
Fox & Co.'s Norman Klein sounds a little defensive. Well he might.

40 Takeovers:
Spreading Shark Repellent
Read that proxy. Management may be busy protecting itself.

41 Companies:
Varian Associates
Promises, promises.

43 Investments:
Gulfstream In The Stratosphere
Here's the biggest new issue in years. It will make at least one person very happy.

44 Investments:
Cytoscan, Inc.
Never heard of it? Not to worry.

48 The Streetwalker:
Downdrafts
An intriguing solution if you're worried about the risk in airline stocks. Also: Reading Co.; Northwest Industries; Madison Fund.

50 As I See It:
Charles K. Wilber
Is the Catholic Church anticapitalist? An interview with the chairman of the economics department of Notre Dame University.

58 As I See It:
Lawrence Olson
Would you believe an impending labor shortage in the U.S.?

60 Companies:
Flowers Industries, Inc.
The magic touch of the last of the big independent bakeries.

76 Business And Government:
Citizen Bobby Inman
A premier intelligence officer enters the business world—and is dismayed at what he finds.

78 Employment:
Service City, U.S.A.
The great shift from smokestacks to services bodes well for New York City.

80 Profiles:
Mike Levy Of *Texas Monthly*
At 36, he has created a legendary magazine success. But the encores are a little harder.

83 On The Docket:
"LIFO" Layoffs
Fair's fair. Or is it? Also: Curbing class-action legal fees.

84 The Numbers Game:
Investment Tax Credits
In which real-world worries are pitted against theoretical truth, and the real world comes out ahead.

86 Taxing Matters:
Her Majesty's Tax Haven
It can't be Britain, but it is—just as long as you're not British. Also: Good news for FIRPTA's foes; abolishing a "ghoulish tax"; the IRS stuffs a silver lining with a cloud.

92 Investments:
Let 'Em Eat Stock
How come airlines are selling off pieces of their subsidiaries even though they have no breakup intention?

94 Espionage:
Who Was The Fifth Man?
A chat with the author of the spy book the British tried to ban.

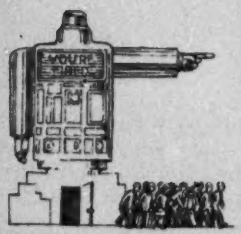
96 Companies:
Harris Corp.
Granted, it may know more about word processing than anyone else in the world. But there's many a slip between cup and lip.

98 Cover Story:
Déjà Vu At Ford
Chrysler has squeaked through brilliantly. General Motors is moving more confidently. Now all eyes are on Ford and its Achilles' heel, the middle-market car.

109 The Up & Comers:
Timberland
Work boots seem an unlikely item for the carriage trade, but it turns out they aren't. Also: Psych Systems; Newcor, Inc.; Quick-print, Inc.

131 Companies:
Toro
Is the classic concept-stock about to pull off the classic turnaround? Not quite yet.

132 Companies:
Shopwell, Inc.
Gourmet foods for the masses.



83 *"This is not a case of right or wrong, but a case of two competing rights."*

110 *The Up & Comers: It probably had to come sooner or later—the computer as psychoanalyst.*

132 *Shopwell: How to revive a lackluster big-city grocery chain? Give 'em a touch of class.*

194 *The Money Men: "You can't survive in this business if it's just money."*

134 Companies:
Mead Corp.
Jim McSwiney made the company takeover-proof, sure enough. On the other hand. . . .

147 Companies:
Rich Products
From Coffee Rich to Freeze Flo, it's all in the family.

148 Technology:
The Thoroughbred Plateau
Why do humans run faster and faster, but horses don't? Also: High-tech energy management, overreacting to the shoddy.

159 Personal Affairs:
Cataract Surgery
What used to be a feared and dangerous operation is now common, simple and relatively painless. Also: The "frequent flier" backlash, help on college costs, giving to charity.

Faces Behind The Figures

170 Donald Burr,
People Express
170 Joseph A. Lagore,
Sony
171 G. Daniel Prigmore,
Fidelity Group
171 Joseph Fiom,
Skadden, Arps
174 Jim Jimirro,
Walt Disney Productions
174 Carla Lallatin,
New York City Municipal Supplies
176 Tony Hendra and Peter Cohn,
Off the Wall Street Journal II

182 Statistical Spotlight:
Twice Shy
After getting burned by optimism for a couple of years, the analysts are acting as if they're not really sure about the recovery.

194 The Money Men:
Oak Investment Partners
Technology alone can't ensure venture capital success. People can.

195 The Funds:
A Hot New Product
It's called tax-managed stock funds.

Money And Investments

33
What's Ahead For Business
34
The Forbes Index
179
The Forbes/ Wilshire 5000 Review

Columnists
197
Ben Weberman
198
Srully Blotnick
200
Thomas P. Murphy
202
David W. Dreman
204
Ann C. Brown
206
Stanley W. Angrist
207
A. Gary Shilling
208
Ashby Bladen

Departments

6
Side Lines
8
Trends
14
Follow-Through
18
Readers Say
21
Fact and Comment
24
Other Comments
29
Fact and Comment II
210
Editorial Index
211
Flashbacks
212
Thoughts

Photos:
6, François Lochon/Gamma Liaison; 8, Liaison; 41, 48, 50, 76, Wm. Franklin McMahon; 42, John McDermott; 58, Penelope Breese/Liaison; 78, Hiroyuki Matsumoto/Black Star; 80, Shelly Katz; 92, Patrick Pagnano; 94, 171 bottom, 176 top, Bill Kelly; 96, Ray Fisher; 98-99, 132, 176 bottom, 194, Michael Abramson; 109, 171 top, Steve Liss/Liaison; 110, Eric Poggenpohl; 114, Sheldon Mdakowitz/Liaison; 131, Mitch Kezar/Black Star; 147, Joe Traver/Liaison; 150 top, Michael Salas; 170 top, Peter Tatiner; 170 bottom, Richard Marin; 174, Jim McHugh

Illustrations:
44, 83, 84, 86, 91, 183, Chas. B. Slackman; 159, Bob Conrad; 166, 168, Phil Huling

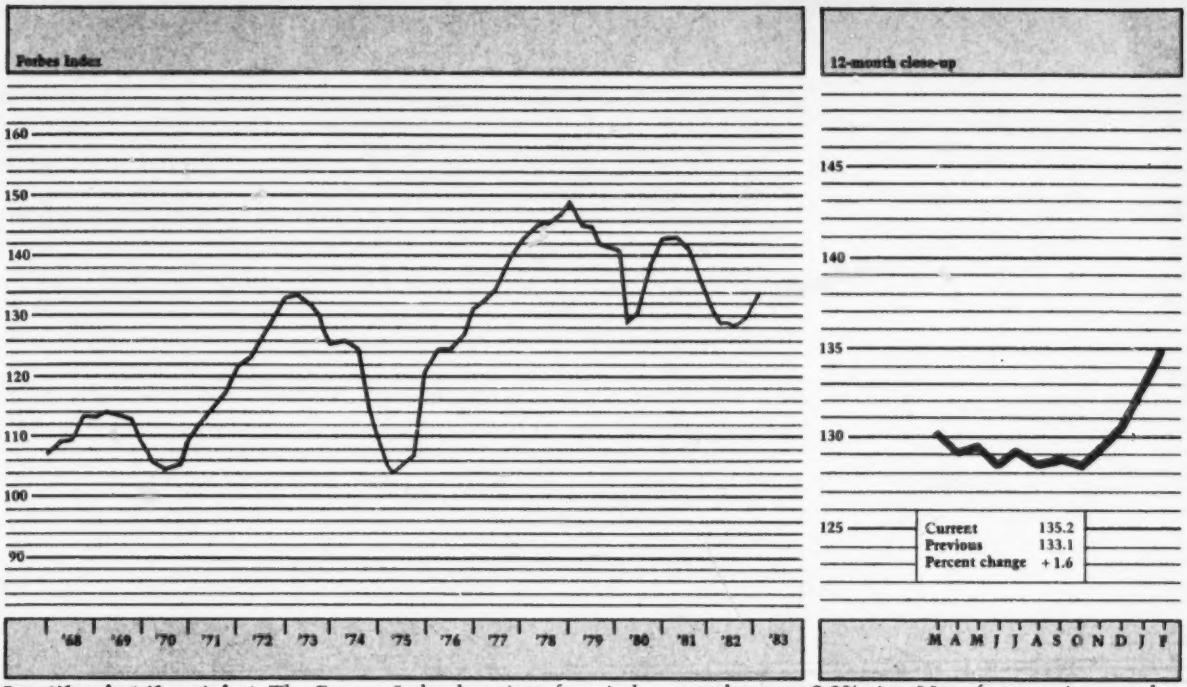
Cover Illustration: Sean Daly

Forbes (ISSN 0015 6914) is published biweekly by Forbes Inc., 60 Fifth Ave., New York, N.Y. 10011. Second-class postage paid at New York, N.Y. and at additional mailing offices. Subscription $36 a year, U.S.A. Postmaster: Send address changes to Forbes, 60 Fifth Ave., New York, N.Y. 10011.

Copyright © 1983 Forbes Inc. Title is protected through a trademark registration in the U.S. Patent Office.

Forbes does not supply back issues or copies of individual articles nor can it provide information on the contents of earlier issues. Photocopies may be ordered from University Microfilms International, 300 N. Zeeb Road, Ann Arbor, Mich. 48106. Information on the contents of issues can be found in *Readers' Guide to Periodical Literature* or *Business Periodicals Index*, both published by the H.W. Wilson Co. and found in most libraries.

The Forbes Index



Lengthening the string. The FORBES Index has risen for the seventh time in a row. Contributing to the 1.6% gain was a decline in unemployment claims, which fell for the third consecutive month. In the latest reporting period, there were over 20% fewer claims than in December 1982.

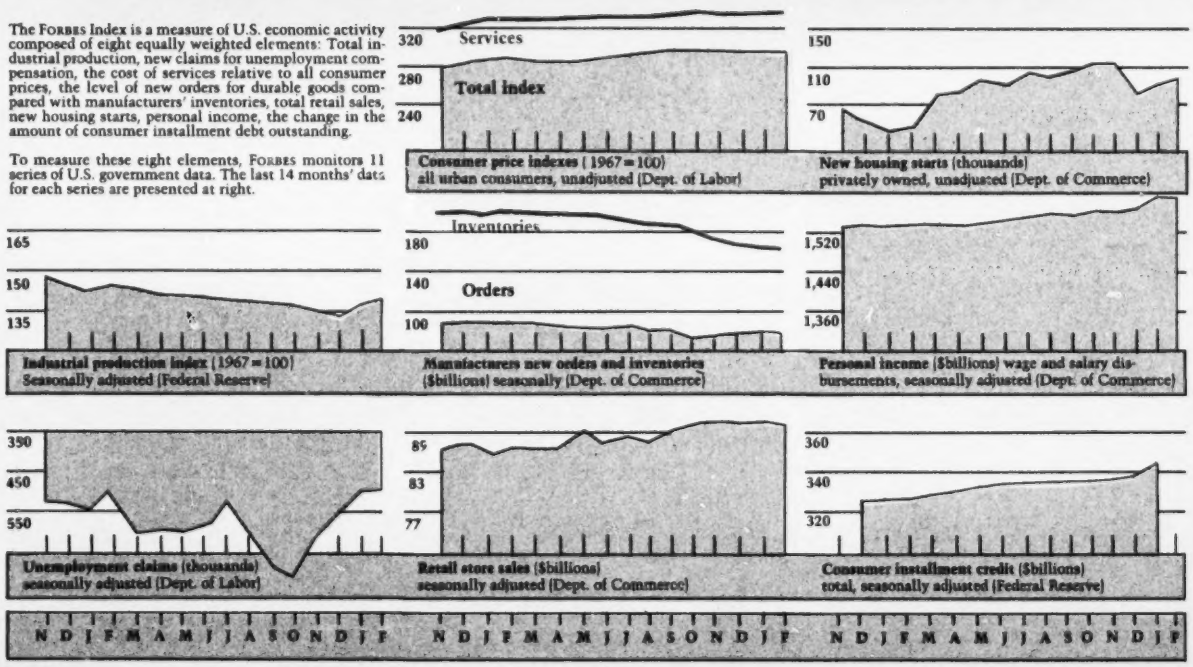
Good news also came from the inflation front, where reports of victories are becoming routine. The Consumer Price Index showed no gain at all, while the service sector index posted a scant 0.3% rise. Manufacturers' new orders were off 3.2% after jumping by 5.7% in January. Inventories are still being liquidated, having fallen 0.3%.

The best evidence that the recovery is for real, however, comes from consumer installment credit outstanding. This category, which includes automotive and revolving credit, mobile home loans and others, increased by 0.9%, compared with a 0.7% gain during the previous month.

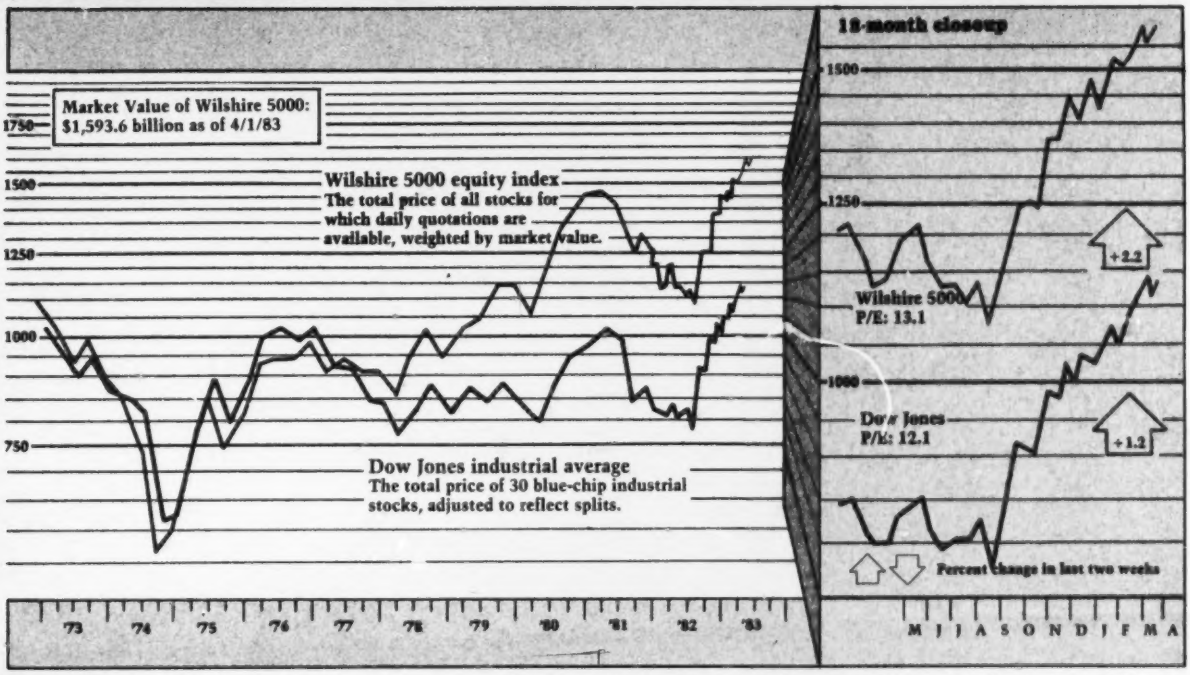
The Forbes Index Components

The FORBES Index is a measure of U.S. economic activity composed of eight equally weighted elements: Total industrial production, new claims for unemployment compensation, the cost of services relative to all consumer prices, the level of new orders for durable goods compared with manufacturers' inventories, total retail sales, new housing starts, personal income, the change in the amount of consumer installment debt outstanding.

To measure these eight elements, FORBES monitors 11 series of U.S. government data. The last 14 months' data for each series are presented at right.



The Forbes/Wilshire 5000 Review



A secondary wind. Secondary stocks have been leading the market as the blue chips lose momentum. While the Wilshire index was up 2.2% over the last two weeks, NASDAQ issues were ahead 2.6% over two weeks and 2.1% over four weeks. Amex issues, meanwhile, showed gains of 2.6% and 1.2%, respectively. In contrast, the Dow advanced 1.2% during the last two weeks but lost 0.7% over the past month. Near-panic buying of energy shares during the last trading day of the reporting period, listed below, helped push up the NYSE and the Amex.

The yardsticks below show that, over the four-week period, buyers focused their attention on high-volatility, high-growth and low-price shares. In the last two weeks, however, the market again turned to energy issues for leadership. The question now is whether this can produce sustainable momentum. Of late, bottom-fishing expeditions into energy stocks have produced only brief rallies.

Early in January, for instance, energy outperformed the eight other sectors, often by wide margins. Then investors backtracked for weeks. This time favorable opinions by several major brokerage houses could help support an energy stock rebound. The danger is that, if energy shares slip once again, they could drag down the rest of the market, too.

Close-up On The Equity Markets

Performance of six leading indexes

Percent change	Wilshire 5000	Forbes 500[1]	Dow Jones industrials	NYSE Composite	Amex Market Value Index	NASDAQ Composite
in last 4 weeks	0.1	–0.1	–0.7	–0.5	1.2	2.1
in last 52 weeks	36.7	34.1	35.6	34.4	47.7	52.7

Stock performance based on five key investor yardsticks

Percent change	Volatility[2]		P/E multiple		Dividend yield		Growth profile[3]		Share price	
	high	low	over 25	under 5	over 7.5%	none	high	low	over $40	under $4
in last 4 weeks	4.7	1.2	2.3	5.1	1.9	5.3	5.2	1.8	2.9	4.8
in last 52 weeks	91.2	42.8	63.9	106.7	36.5	103.6	103.1	44.8	49.5	81.3

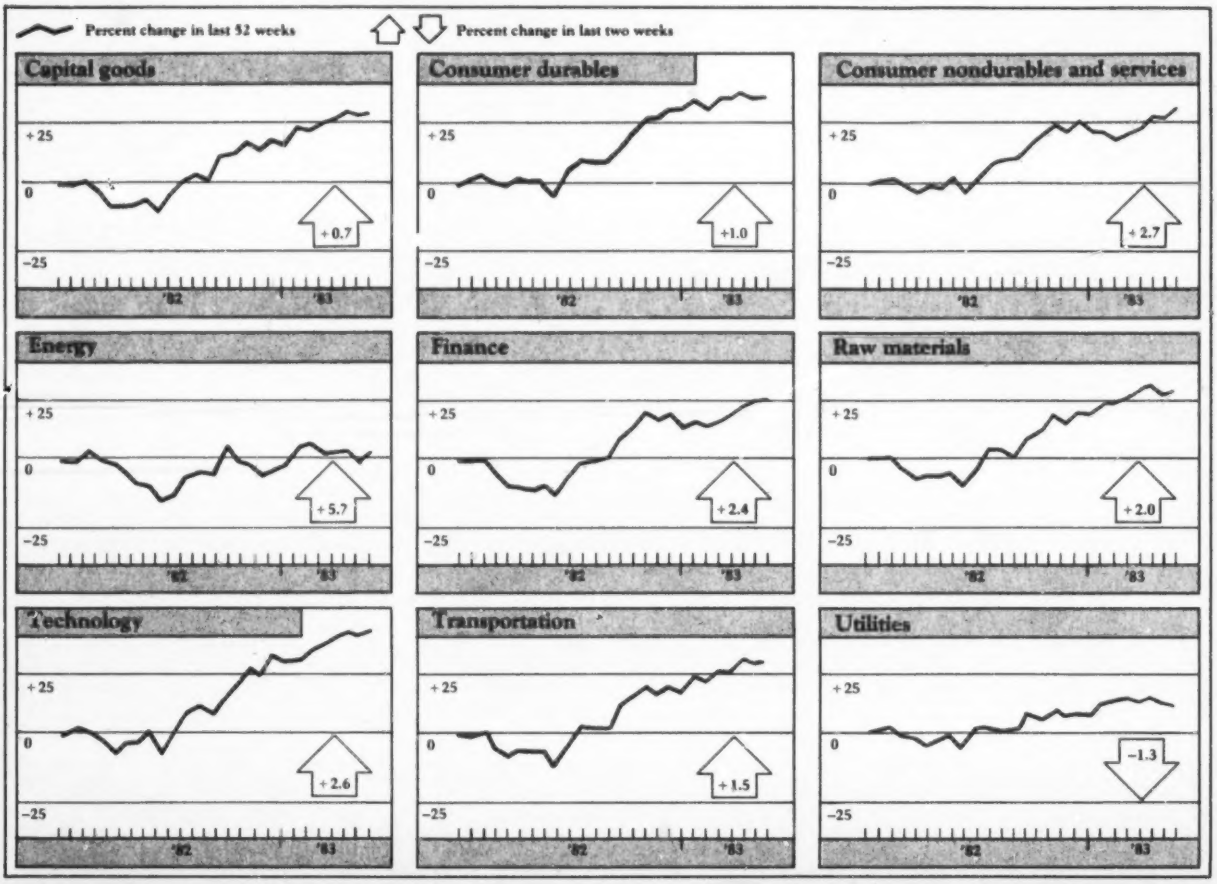
[1]Based on sales.
[2]A stock's sensitivity to overall market movement. High-volatility issues have wide price fluctuations, low-volatility issues are more stable.
[3]A quantitative evaluation of a stock's growth image, determined by Wilshire Associates.

Note: All data for periods ending 4/1/83. Prepared by Wilshire Associates, Santa Monica, Calif.

Where The Action Is

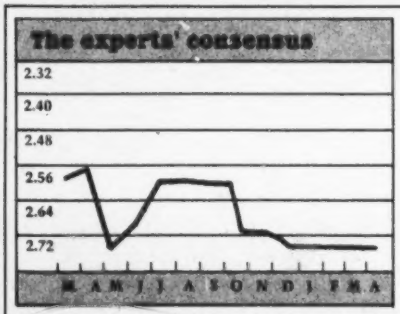
Are the lights going out? Utilities were the only group to lose ground over the last two weeks, and they were also the weakest group over the four-week period. In addition, data from the Autex Block Trading Information System show that for the last several weeks large institutions have been expressing rather strong sell-side interest in these companies. One reason could be that some investors feel interest rates are not likely to decline much further.

There were other laggards, too. Smokestack industries such as consumer durables and capital goods and services are also underperforming the market. Energy shares, on the other hand, lead the group with a 5.7% two-week gain, and consumer nondurables, technology and finance shares also made significant gains.



What The Analysts Think

The market versus the analysts. For several weeks energy and utility issues have been the analysts' top picks. Now the energy stocks have started another rebound, and if you believe what the analysts have been saying, utility issues are also good buys—even though, since early February, the power companies have been dull performers.



Rank	Sector	Current opinion	Rank 2 weeks ago	Rank 4 weeks ago
1	Energy	2.65	1	1
2	Utilities	2.67	2	2
3	Technology	2.71	3	3
4	Capital goods	2.72	4	4
5	Transportation	2.72	5	6
6	Raw materials	2.76	6	5
7	Finance	2.79	7	7
8	Consumer nondurables	2.81	8	8
9	Consumer durables	2.88	9	9

Opinion ratings are ranked on a scale of 1 (strong buy) to 5 (strong sell). Data reflect the views of 200 institutional analysts. The consensus of opinion graph is the composite rating of 1,200 stocks, while the sector breakdowns correspond to industry groups graphed above. All figures are weighted for market capitalization.

Note: All data for periods ending 4/1/83. Prepared by Wilshire Associates, Santa Monica, Calif.

The market has been months ahead of the economy. Yet even now, with recovery in sight, analysts are still wearing their belts with suspenders. So what's a poor invester to do?

Wall Street: Wary optimism

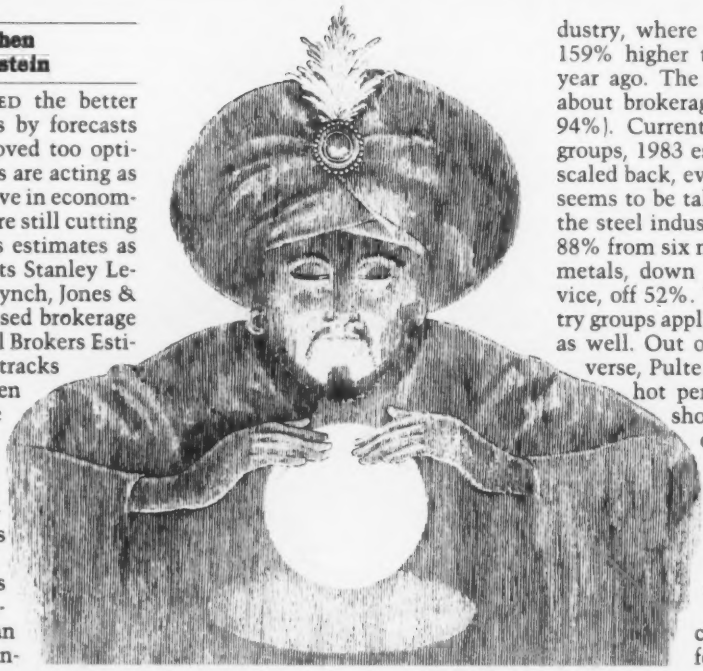
Where the analysts are becoming more optimistic

Over the past six months analysts have raised the consensus earnings estimates on these 29 issues. The revisions range from 152.5% to 26.7%. Those issues where there is little analyst agreement offer more risk but greater speculative opportunity if the optimists are right.

Company/principal business	Recent price	1982 EPS	1983 EPS estimate 9/30/1982	1983 EPS estimate recent	1983 EPS estimate % change	P/E on estimate	Analysts number	Analysts amount of agreement
Pulte Home/building	58½	$1.81	$1.49	$3.75	152.5%	15.6	7	low
HF Ahmanson/savings & loan	31½	–1.88	1.43	3.42	139.3	9.2	12	very low
Golden West Finl/savings & loan	17⅜	–0.97	1.02	2.25	120.6	7.7	12	very low
First Charter Finl/savings & loan	24½	–2.05	0.94	2.06	119.6	11.9	12	low
Asarco/metals, mining	34⅛	–2.00	0.83	1.77	112.4	19.3	13	very low
Finl Corp America/savings & loan	32½	2.40	2.20	4.64	111.2	7.0	4	average
Imperial Corp of Am/savings & loan	12⅝	–4.30	0.64	1.15	78.4	11.0	11	very low
Certain-Teed/building	22¼	–0.86	0.73	1.29	75.6	17.2	10	very low
Coleco Inds/toys, computer equip	23	2.90	2.21	3.78	71.1	6.1	12	low
Ryland Group/building	52½	1.40	2.10	3.52	67.8	14.9	7	low
Homestake Mining/mining	24⅜	0.50	0.81	1.31	62.6	18.6	11	very low
MacMillan/publishing	27¾	1.81	1.41	2.23	58.0	12.4	3	average
Phibro-Salomon/brkge, mtls trading	69	4.59	4.79	7.31	52.5	9.4	11	low
Community Psych Cntrs/health care svcs	31⅛	1.60	1.29	1.97	52.2	15.8	19	high
Great Western Finl/savings & loan	24	–2.75	1.71	2.57	50.2	9.3	14	very low
Lear Petroleum/petroleum	13¼	0.76	0.64	0.96	49.0	13.8	9	very low
Standard-Pacific/building	16¾	0.17	0.89	1.32	47.7	12.7	3	low
Kaufman & Broad/building, insurance	22¾	–1.96	0.88	1.28	46.1	17.8	5	very low
Ryan Homes/building	45	0.56	1.80	2.60	44.3	17.3	15	low
UAL/airline	35½	0.36	2.45	3.51	43.3	10.1	16	very low
Owens-Corning Fibergls/bldg materials	43¾	0.98	2.08	2.98	43.1	14.7	15	low
Petro-Lewis/petroleum	9¾	0.83	0.84	1.19	41.4	8.2	4	low
Magic Chef/appliances	25⅝	0.78	1.29	1.80	39.5	14.2	7	low
Commodore Intl/computer equip	75¾	2.64	3.59	4.95	37.9	15.3	13	low
Jim Walter/building	43¼	0.29	2.94	3.92	33.2	11.0	14	low
Levitz Furniture/furniture	61½	1.90	3.12	4.11	31.6	15.0	4	low
Grumman/aerospace	53⅛	4.13	4.77	6.21	30.2	8.6	12	very low
Quaker State Oil Ref/petroleum	20	1.77	1.62	2.09	29.1	9.6	4	average
Intergraph/computer equip	30	0.56	0.72	0.91	26.7	33.0	9	average

Source: Institutional Brokers Estimate System (IBES), a service of Lynch, Jones & Ryan.

By Steve Kichen and Paul Bornstein



AFTER BEING BURNED the better part of two years by forecasts the recession proved too optimistic, security analysts are acting as if they are afraid to believe in economic recovery. "Analysts are still cutting twice as many earnings estimates as they are raising," reports Stanley Levine, vice president of Lynch, Jones & Ryan, the New York-based brokerage firm whose Institutional Brokers Estimate System (IBES) tracks earnings estimates. Even so, there seem to be plenty of upbeat pronouncements. The ratio of increased estimates to decreased estimates, while still low, is climbing.

Hardly any group is gaining faster in the estimation of analysts than the savings and loan industry, where estimates are running 159% higher than they were half a year ago. The seers are also excited about brokerage firms (estimates up 94%). Currently, for most industry groups, 1983 estimates are still being scaled back, even as cyclical recovery seems to be taking hold. Hardest hit: the steel industry, where they are off 88% from six months ago; nonferrous metals, down 62%; and oilfield service, off 52%. What applies to industry groups applies to individual stocks as well. Out of the whole IBES universe, Pulte Home, a spectacularly hot performer on the Amex, shows the greatest increase in 1983 earnings estimates over the last six months. The biggest loser in popularity: Amsted Industries, slashed an average 78.8%.

It is an interesting challenge to find a use for earnings estimates

Where the analysts are becoming less optimistic

Despite the signs of economic recovery, analysts are still scaling down more forecasts than they are scaling up. Below are 80 issues that have been hit the hardest in Wall Street reports. These consensus estimates have been reduced 40% or more over the last six months.

Company/principal business	Recent price	1982 EPS	1983 EPS estimate 9/30/1982	1983 EPS estimate recent	1983 EPS estimate % change	P/E on estimate	Analysts number	Analysts amount of agreement
Amsted Inds/railroad equipment	27⅜	$1.65	$2.55	$0.54	−78.8%	50.7	9	very low
Parker Drilling/oilfield equip and svcs	7¾	2.65	2.30	0.56	−75.6	13.8	17	very low
Seafirst Corp/bank holding	14	−5.59	3.85	0.99	−74.3	14.1	15	very low
Jamesbury/valves	16¾	1.47	1.83	0.52	−71.6	32.2	7	very low
Westmoreland Coal/coal	15¾	1.14	2.73	0.78	−71.4	20.2	6	very low
Simpson Inds/auto equipment	16¾	1.35	2.28	0.66	−71.1	25.4	5	very low
Timken/auto equipment	55⅛	−0.27	6.73	2.00	−70.3	27.6	6	very low
Tandy Brands/specialty retail	15	0.26	1.65	0.55	−66.7	27.3	3	average
Hanna Mining/mining	26¼	−2.18	2.61	0.89	−65.9	28.4	7	very low
NL Inds/oilfield equip and svcs	14⅜	2.90	4.24	1.47	−65.3	9.8	19	very low
Joy Manufacturing/machinery	24½	4.27	4.15	1.48	−64.3	16.6	18	low
Oak Inds/electronics	11⅝	0.25	2.65	0.96	−63.8	12.1	6	very low
Caesars World/hotel, gaming	10½	0.30	1.46	0.53	−63.6	19.8	7	very low
GEO Intl/oilfield equip and svcs	9	1.47	2.22	0.81	−63.5	11.1	4	very low
Baker Intl/oilfield equip and svcs	16¼	3.60	4.05	1.50	−63.0	10.8	28	very low
Caterpillar Tractor/machinery	44¼	−2.04	3.97	1.48	−62.7	29.9	18	very low
Kaiser Cement/cement	30½	2.38	1.71	0.64	−62.5	47.7	9	very low
Ingersoll-Rand/machinery	46¼	2.35	6.13	2.42	−60.5	19.1	18	very low
Carpenter Technology/specialty steel	40¼	3.85	4.06	1.64	−59.6	24.5	8	very low
Inland Steel/steel	30⅛	−6.27	1.76	0.73	−58.5	41.3	15	very low
AE Staley Mfg/food processing	24⅝	2.75	3.17	1.32	−58.4	18.7	14	very low
Wynn's Intl/auto equipment	14⅜	−1.87	2.83	1.20	−57.6	12.0	4	very low
Smith Intl/oilfield equip and svcs	18¾	3.61	4.92	2.10	−57.3	8.9	25	very low
United Cable TV/cable TV	19⅝	1.38	1.33	0.58	−56.5	33.8	10	very low
Bearings Inc/bearings	33¾	3.01	3.78	1.67	−55.8	20.2	7	very low
Aluminum Co of Am/aluminum	31⅞	−0.15	2.81	1.24	−55.8	25.7	20	very low
Rexnord/machinery	14¾	0.35	1.39	0.62	−55.3	23.8	5	very low
Storer Communications/broadcasting	29¼	0.29	1.74	0.79	−54.6	37.0	14	very low
Northwest Industries/multicompany	33¼	8.75	9.37	4.34	−53.7	7.7	8	very low
Masco/building	33½	1.48	4.56	2.11	−53.7	15.9	12	high

Source: Institutional Brokers Estimate System (IBES), a service of Lynch, Jones & Ryan.

Statistical Spotlight

when, in general, estimates seem to trail after changes in the stock market. There is some truth in the old joke that analysts raise their earnings estimates when stocks go up and lower them when stocks go down.

Jokes aside, professors Edwin Elton and Martin Gruber at New York University have done extensive research on the IBES data. They claim to have shown that information contained in the consensus estimate is already included in the share price. It is not what the analysts say, then, but the surprises on which the analysts did not count that subsequently move stocks above or below the averages.

They also uncovered an even more interesting—and possibly more useful—phenomenon. Note the last two columns in each table. One tells you how many analysts prognosticated on that stock. The other column, labeled

Where the analysts are becoming less optimistic

Company/principal business	Recent price	1982 EPS	1983 EPS estimate 9/30/1982	1983 EPS estimate recent	1983 EPS estimate % change	P/E on estimate	Analysts number	Analysts amount of agreement
Occidental Petrol/energy, food proc	18⅞	$0.69	$3.82	$1.78	−53.4%	10.6	14	very low
Hughes Tool/oilfield equip and svcs	16⅜	2.65	3.80	1.78	−53.2	9.2	24	very low
Pacific Resources/petroleum	8¾	0.79	1.87	0.88	−52.9	9.9	3	very low
Alcan Aluminium/aluminum	30⅜	−0.69	2.21	1.05	−52.4	28.9	16	very low
Franklin Electric/electrical equipment	17½	0.28	2.07	0.99	−52.2	17.7	4	low
Intermedics/health care prods	20⅝	0.78	2.56	1.24	−51.6	16.6	11	very low
RLC/trucking	12	0.51	1.17	0.57	−51.4	21.1	3	very low
Dresser Industries/oilfield equip and svcs	16⅛	2.19	2.83	1.38	−51.2	11.7	24	very low
Daniel Inds/oilfield equip and svcs	9½	1.74	1.99	0.98	−50.7	9.7	3	low
Cross & Trecker/machinery	26⅜	3.13	1.11	0.55	−50.5	48.0	16	very low
Parker-Hannifin/machinery	26¾	2.12	2.50	1.25	−50.0	21.4	14	very low
Allegheny Intl/multicompany	29⅝	0.21	5.76	2.95	−48.8	10.0	6	very low
Fruehauf/trucking	31¾	−2.47	3.15	1.62	−48.6	19.6	5	very low
National Micronetics/computer equip	20½	1.01	1.36	0.70	−48.5	29.3	4	average
Gelco/transp and leasing svcs	19¾	2.51	3.20	1.66	−48.1	11.9	9	very low
Cameron Iron Works/oilfield equip, svcs	17⅞	5.02	4.36	2.28	−47.7	7.8	9	low
Eaton Corp/auto equipment	34	−6.74	4.66	2.46	−47.2	13.8	16	very low
Warner Communications/entertainment	28¾	3.46	6.77	3.61	−46.7	8.0	22	low
Lone Star Inds/cement	34¼	0.05	1.95	1.04	−46.7	32.9	10	very low
Datapoint/computer equip	21¾	0.12	1.17	0.63	−46.3	34.5	14	very low
Frontier Holdings/airline	19⅝	1.67	3.70	2.00	−46.0	9.8	12	low
Stewart & Stevenson/machinery	12⅜	1.84	2.88	1.56	−45.9	7.9	4	average
Cooper Inds/machinery	28	2.75	4.31	2.35	−45.5	11.9	18	low
Measurex/electrical equipment	22⅜	−0.10	1.25	0.68	−45.5	32.9	5	low
Graniteville/textiles	10⅞	−3.26	1.00	0.55	−45.0	19.8	4	very low
Sabine/oil and gas explor, dev, prod	18½	1.54	2.33	1.29	−44.6	14.3	15	very low
Moore McCormack Res/transp, resrcs	26½	1.09	3.45	1.91	−44.6	13.9	8	low
PSA/airline	28½	3.16	4.80	2.68	−44.2	10.6	8	very low
Materials Research/industrial equipment	27⅜	0.21	1.21	0.68	−43.8	40.3	3	very low
Siltec/semiconductors	11¾	−0.19	1.03	0.58	−43.5	20.3	3	very low
Midland-Ross/machinery	16¾	0.10	2.23	1.26	−43.5	13.3	8	very low
Celanese/chemicals, textiles	55¾	0.05	6.67	3.78	−43.3	14.7	19	low
Omark Industries/machinery	20⅛	1.86	2.06	1.17	−43.1	17.2	9	low
Norton Co/machinery	38⅝	1.13	4.65	2.67	−42.6	14.5	8	low
Spectra-Physics/precision instruments	25¼	0.22	1.08	0.62	−42.5	40.7	9	very low
Zenith Radio/electronics	16½	−1.15	0.89	0.51	−42.4	32.4	10	very low
Manitowoc/construction equipment	18¾	2.95	1.63	0.94	−42.3	19.9	4	very low
Digicon/oilfield services	9¾	2.81	2.61	1.51	−42.2	6.5	8	very low
Ideal Basic Inds/cement	22⅛	−1.81	1.29	0.75	−42.0	29.5	6	very low
Tonka/toys	18	−0.65	2.07	1.20	−41.9	15.0	3	very low
Delta Air Lines/airline	49¼	0.52	2.61	1.52	−41.8	32.4	18	very low
Natomas/oil and gas explor, dev	14⅜	0.64	4.55	2.66	−41.6	5.4	16	very low
GCA/precision instruments	36⅜	−1.77	1.49	0.87	−41.6	41.8	19	very low
Allen Group/auto equipment	1⅞	−2.44	2.22	1.30	−41.4	1.4	7	low
Petrolane/oilfield equip and svcs	12⅞	2.00	2.26	1.33	−41.2	9.7	14	very low
AMR Corp/airline	27¼	−1.00	3.88	2.29	−41.0	11.9	19	very low
Rollins Inc/industrial services	14⅛	1.70	2.08	1.23	−41.0	11.5	8	low
GATX/railroad equipment	29⅛	2.41	3.84	2.29	−40.3	12.7	10	low
XTRA/trucking	24½	1.29	2.70	1.62	−40.1	15.1	4	very low
Gifford-Hill/cement	19⅛	0.07	2.03	1.22	−40.0	15.7	5	low

Source: Institutional Brokers Estimate System (IBES), a service of Lynch, Jones & Ryan.

Statistical Spotlight

"amount of agreement," describes the coefficient of variation—a measure of how close or far apart the analysts were in their estimates. There are five agreement ranks, from "very high" to "very low."

According to Elton and Gruber, a low or very low level of agreement among analysts can sometimes point to better investment opportunities than a very high level of agreement. Little in the way of market surprise would be expected from a utility like Houston Industries *(p.192)*, for example, which has a high level of agreement on its consensus estimate from 19 analysts.

However, Elton and Gruber believe it is still possible to earn above-market returns, if you can locate those stocks for which analysts most underestimate earnings. Therefore, issues graded "very low" in consensus could turn out to be superior performers, if final earnings figures range on the high side. "In uncertainty there is profit," is what they are telling us. There is often widespread divergence on estimates of steel, auto parts, trucking, railroads and airlines.

The tables starting on pages 182 and 183 list 109 companies that have had significant changes in estimates—either up or down—over the last six months. The list is thickly populated with machinery and oilfield equipment and service companies.

Starting on pages 188 and 190 are alphabetical lists for 51 companies that analysts expect to make major earnings moves in 1983, versus 1982. A number of consumer and service areas—for example, insurance, building materials, appliances and auto equipment—are well represented. But if past history is any guide, the best investment opportunities could lie with industries in which there is still heavy pessimism and little agreement, such as oilfield equipment and services.

Where the analysts predict declines

Last year was tough enough for most firms, but analysts expect this year to be even worse for these 38 companies. The expected declines in earnings range from 27.5% to 82.4%. But, for contrarians, those issues in which the experts prove too pessimistic can rebound sharply.

Company/principal business	Recent price	Earnings per share 1982	Earnings per share 1983 est	Earnings per share % change	P/E on estimate	Analysts number	Analysts amount of agreement
Amstar/sugar processing	25⅞	$4.31	$2.86	–33.6%	9.0	4	very low
Amsted Industries/railroad equipment	27⅜	1.65	0.54	–67.3	50.7	9	very low
Baker Intl/oilfield equip, svcs	16¼	3.60	1.50	–58.3	10.8	28	very low
Bearings Inc/bearings	33¾	3.01	1.67	–44.5	20.2	7	very low
Cameron Iron Works/oilfield eq, svcs	17⅞	5.02	2.28	–54.6	7.8	9	low
Carpenter Technology/specialty steel	40¼	3.85	1.64	–57.4	24.5	8	very low
Cross & Trecker/industrial machinery	26⅜	3.13	0.55	–82.4	48.0	16	very low
Daniel Inds/oilfield equip, svcs	9½	1.74	0.98	–43.7	9.7	3	low
Digicon/oilfield services	9¾	2.81	1.51	–46.3	6.5	8	very low
Dresser Industries/oilfield equip, svcs	16⅛	2.19	1.38	–37.0	11.7	24	very low
Enterra/oilfield equip, svcs	16	3.17	1.13	–64.4	14.2	3	very low
Gelco/transp, leasing svcs	19¾	2.51	1.66	–33.9	11.9	9	very low
GEO Intl/oilfield equip, svcs	9	1.47	0.81	–44.9	11.1	4	very low
Global Marine/oilfield services	7¾	2.71	1.93	–28.8	4.0	16	low
Helmerich & Payne/drilling	17⅜	2.98	2.16	–27.5	8.0	17	average
Hughes Tool/oilfield equip, svcs	16⅜	2.65	1.78	–32.8	9.2	24	very low
International Minerals/minerals	39	4.56	3.27	–28.3	11.9	16	low
Jamesbury/valves	16¾	1.47	0.52	–64.6	32.2	7	very low
Joy Manufacturing/machinery	24½	4.27	1.48	–65.3	16.6	18	low
Kaiser Cement/cement	30½	2.38	0.64	–73.1	47.7	9	very low
Manitowoc/construction equip	18¾	2.95	0.94	–68.1	19.9	4	very low
National Micronetics/computer equip	20½	1.01	0.70	–30.7	29.3	4	average
NL Industries/oilfield equip, svcs	14⅜	2.90	1.47	–49.3	9.8	19	very low
Northwest Industries/multicompany	33¼	8.75	4.34	–50.4	7.7	8	very low
Omark Industries/machinery	20⅛	1.86	1.17	–37.1	17.2	9	low
Parker Drilling/equip, svcs	7¾	2.65	0.56	–78.9	13.8	17	very low
Parker-Hannifin/machinery	26¾	2.12	1.25	–41.0	21.4	14	very low
Petrolane/oilfield equip, svcs	12⅞	2.00	1.33	–33.5	9.7	14	very low
HH Robertson/machinery	30¼	5.57	4.01	–28.0	7.5	3	average
Rollins Inc/industrial services	14⅛	1.70	1.23	–27.6	11.5	8	low
Rowan Cos/onshore drilling	9¾	2.36	1.40	–40.7	7.0	19	very low
Simpson Industries/auto equipment	19¾	1.35	0.66	–51.1	29.9	5	very low
Smith Intl/oilfield equip, svcs	18¾	3.61	2.10	–41.8	8.9	25	very low
AE Staley Mfg/food processing	24⅝	2.75	1.32	–52.0	18.7	14	very low
Unifi/textiles	16¾	1.87	1.15	–38.5	14.6	3	low
United Cable TV/cable TV	19⅝	1.38	0.58	–58.0	33.8	10	very low
Westmoreland Coal/coal	15¾	1.14	0.78	–31.6	20.2	6	very low
Zapata/oilfield equipment	14⅝	4.73	3.40	–28.1	4.3	11	average

Source: International Brokers Estimate System (IBES), a service of Lynch, Jones & Ryan.

Statistical Spotlight

Where the analysts expect the biggest gains

Wall Street's experts are betting that these issues will show earnings gains of 58.3% or more in 1983. But remember: There is very high agreement of opinion on only two issues, TRE Corp. and Lennar. In contrast, there is wide disagreement among analysts on 16 of these stocks.

Company/principal business	Recent price	Earnings per share 1982	Earnings per share 1983 est	Earnings per share % change	P/E on estimate	Analysts number	Analysts amount of agreement
Alexander & Alexander/insurance	22⅛	$0.60	$1.99	231.7%	11.1	14	average
Airborne Freight/freight forwarding	20¾	0.77	1.38	79.2	15.0	11	low
Amerada Hess/petroleum	21⅛	2.00	3.50	75.0	6.0	17	low
American Standard/building materials	33⅝	1.30	2.42	86.2	13.9	13	low
AMF/recreation, ind equip	16⅞	0.53	2.05	286.8	8.2	5	average
Anchor Hocking/packaging, containers	25¼	1.25	2.16	72.8	11.9	9	low
Armstrong World Inds/home furnishgs	27⅝	0.95	1.80	89.5	15.3	14	average
AVX/electronics	27	0.64	1.37	114.1	19.7	3	low
AXIA/construction equip	20⅛	0.65	1.37	110.8	14.7	3	low
Bear Creek/mail-order sales	22¼	1.34	2.18	62.7	10.2	3	average
Brock Hotel/hotels	9	0.55	0.91	65.5	9.9	4	very low
Brunswick/recreation prods	27¼	1.49	3.12	109.4	8.7	7	low
Burroughs/computer equipment	46⅝	2.17	4.51	107.8	10.3	23	average
Cascade Natural Gas/natural gas	10⅛	0.85	1.46	71.8	6.9	3	low
CBS/broadcasting	68¾	4.01	6.74	68.1	10.2	21	average
Champion Spark Plug/auto equipment	9½	0.70	1.14	62.9	8.3	6	very low
Chesapeake Corp Va/pkg, containers	31½	1.29	2.07	60.5	15.2	6	low
Chrysler/automotive	16⅝	0.97	2.95	204.1	5.6	14	very low
Cipher Data Prods/computer equip	30¼	0.60	0.95	58.3	31.8	3	NA
Commodore Intl/computer equip	75¾	2.64	4.95	87.5	15.3	13	low
Continental Illinois/bank holding	22⅝	2.12	3.90	84.0	5.8	24	low
Cooper Labs/health care prods	77⅝	2.42	4.52	86.8	17.2	3	average
Corcom/electronics	24	0.94	1.54	63.8	15.6	4	average
CTS Corp/electronics	37½	1.57	2.51	59.9	14.9	5	low
Cordis/health care equipment	80½	0.75	2.83	277.3	28.4	9	low
Core Labs/oilfield equip, svcs	10¾	0.60	1.01	68.3	10.6	3	low
Crompton & Knowles/specialty chems	24	1.05	2.45	133.3	9.8	3	average
Dana Corp/auto equipment	33⅞	1.43	2.75	92.3	12.3	13	low
Delta Air Lines/airline	49¼	0.52	1.52	192.3	32.4	18	very low
Dr Pepper/beverages	12½	0.58	1.21	108.6	10.3	17	low
Ducommun/electronics	39	1.39	2.77	99.3	14.1	5	low
El Paso Co/gas pipeline	16⅝	1.08	2.30	113.0	7.2	16	low
Electro-Biology/health care equipment	36¼	0.75	1.57	109.3	23.1	8	average
Emery Air Freight/freight forwarding	15½	0.65	1.29	98.5	12.0	14	low
Federal Co/food processing	27¼	2.14	3.94	84.1	6.9	6	high
Ferro Corp/building materials	32⅜	1.37	2.43	77.4	13.3	9	low
Freeport-McMoRan/metals, mining	20¼	0.95	1.74	83.2	11.6	14	low
Financial Corp of Am/savings & loan	32½	2.40	4.64	93.3	7.0	4	average
First Oklahoma Bancorp/bank holding	16½	2.02	3.22	59.4	5.1	3	average
Fremont General/insurance	24	0.54	1.37	153.7	17.5	7	very low
GAF/building materials	16¾	1.01	1.63	61.4	10.0	4	very low
General Dynamics/aerospace	45½	2.40	4.57	90.4	10.0	21	average
General Motors/automotive	59⅛	3.09	8.29	168.3	7.1	18	low
General Pub Util/electric utility	7½	0.55	0.97	76.4	7.7	10	very low
GenRad/electronics	31½	0.63	1.12	77.8	28.1	16	average
General Tire & Rubber/tire and rubber	34	0.78	3.69	373.1	9.2	8	low
Gulfstream Land & Dev/land dev, bldg	26¼	1.01	2.42	139.6	10.8	3	very low
Hawaiian Electric/electric utility	32½	2.35	3.78	60.9	8.6	10	average
Holiday Inns/hotels, gaming	39½	1.94	3.11	60.3	12.7	19	average
Walter E Heller Intl/finance	30⅛	1.34	2.94	119.4	10.2	4	average
Homestake Mining/mining	24⅜	0.51	1.31	156.9	18.6	11	very low
HON Inds/office equipment	22¾	1.04	1.75	68.3	13.0	4	low
Hoover Universal/auto equip	28¼	1.79	2.94	64.2	9.6	5	average

NA: Not available.

Source: Institutional Brokers Estimate System (IBES), a service of Lynch, Jones & Ryan.

Statistical Spotlight

Where the analysts expect the biggest gains

Company/principal business	Recent price	Earnings per share 1982	Earnings per share 1983 est	Earnings per share % change	P/E on estimate	Analysts number	Analysts amount of agreement
Horn & Hardart/restaurants	26½	1.14	2.08	82.5	12.7	3	low
Houston Industries/electric utility	20¾	1.62	3.86	138.3	5.4	19	high
Insilco/metal fabricating	23¼	0.85	1.90	123.5	12.2	5	average
Intel/electronics	46¾	0.65	1.35	107.7	34.6	29	low
Intergraph/computer equipment	30	0.56	0.91	62.5	33.0	9	average
Interlake/steel	33⅝	0.92	2.70	193.5	12.5	5	low
Intermedics/health care products	20⅝	0.78	1.24	59.0	16.6	11	very low
InterNorth/natural gas	25⅛	3.01	4.84	60.8	5.2	16	average
Jackson National Life/insurance	27¾	1.44	3.11	116.0	8.9	4	high
Lennar/building	25	0.51	1.38	170.6	18.1	3	very high
Levitz Furniture/furniture	61½	1.90	4.11	116.3	15.0	4	low
Magic Chef/appliances	25⅝	0.78	1.80	130.8	14.2	7	low
Manufacturers National/bank holding	29¾	2.38	6.00	152.1	5.0	3	average
Mattel/toys	11¾	1.78	2.94	65.2	4	8	average
Mesa Petroleum/petroleum	10⅝	0.99	1.61	62.6	6.6	18	low
Moore McCormack Res/trans, natl res	26½	1.09	1.91	75.2	13.9	8	low
Murray Ohio Mfg/recreation equip	23	1.63	2.83	73.6	8.1	8	low
Naples Federal S&L/savings & loan	26⅝	0.70	2.95	321.4	9.0	3	high
National Gypsum/building materials	33¼	0.89	1.99	123.6	16.7	9	low
Natomas/oil explor, development	14⅜	0.64	2.66	315.6	5.4	16	very low
Newmont Mining/mining	49¼	1.76	3.21	82.4	15.3	17	low
Northern Ind Pub Svc/electric utility	13½	0.90	1.58	75.6	8.5	15	low
Northwestern Natl Life/insurance	35¾	1.33	5.06	280.5	7.1	4	low
Norton Co/industrial prods	38⅝	1.13	2.67	136.3	14.5	8	low
Occidental Petrol/energy, food proc	18⅞	0.69	1.78	158	10.6	14	very low
Oshman's Sporting Gds/specialty retail	23¼	1.05	1.73	64.8	13.4	3	high
Owens-Corning Fiber/bldg materials	43¾	0.98	2.98	204.1	14.7	15	low
Owens-Illinois/paper and forest prods	32⅝	1.28	3.70	189.1	8.8	12	average
Ozark Air Lines/airline	15¼	0.77	1.88	144.2	8.1	10	very low
PACCAR/automotive	97¾	4.11	6.79	65.2	14.4	9	very low
Pacific Lumber/paper and forest prods	27⅝	0.89	1.55	74.2	17.8	10	low
Pennwalt Corp/specialty chemicals	37¾	2.10	3.81	81.4	9.9	7	low
Pioneer Corp/natural gas	18½	1.66	3.08	85.5	6.0	18	low
Pope & Talbot/forest products	21⅛	0.72	1.69	134.7	12.5	4	very low
Potlatch/forest products	41½	0.87	2.29	163.2	18.1	18	low
Pulte Home/building	58½	1.81	3.75	107.2	15.6	7	low
Puritan Fashions/apparel	22½	2.19	3.58	63.5	6.3	3	average
Progressive (Ohio)/insurance	42¾	2.43	3.86	58.8	11.1	7	low
Robertshaw Controls/appliances	30⅜	1.55	2.64	70.3	11.5	3	average
Ryan Homes/building	45	0.56	2.60	364.3	17.3	15	low
Ryland Group/building	52½	1.40	3.52	151.4	14.9	7	low
St Regis Paper/paper and forest prods	31⅜	1.29	2.33	80.6	13.5	19	low
Sealed Air/packaging, containers	32¼	1.35	2.26	67.4	14.3	10	low
Soo Line RR/railroad	33⅛	2.01	3.53	75.6	9.4	3	low
Southern Union/natural gas	16⅞	1.96	3.13	59.7	5.4	5	average
Superior Ind Intl/auto equipment	10⅝	0.58	1.20	106.9	8.9	3	low
System Inds/computer equipment	13½	0.54	0.96	77.8	14.1	4	average
Tandon/computer equipment	40	0.73	1.23	68.5	32.5	12	average
Thermo Electron/machinery	22½	0.60	1.00	66.7	22.5	7	very low
Towle Manufacturing/household prods	23½	1.16	2.63	126.7	8.9	5	average
TRE Corp/aerospace	31	0.88	1.51	71.6	20.5	3	very high
Trans World/airline	33⅝	0.54	3.31	513.0	10.2	18	low
Tyler Corp/building materials	24½	1.08	1.85	71.3	13.2	7	low
Tymshare/computer services	22	0.73	1.18	61.6	18.6	14	low
United Energy Res/natural gas	27	4.25	7.27	71.1	3.7	16	average
US Home/building	31⅛	0.63	2.07	228.6	15.0	14	low
US Surgical/health care prods	28¼	0.80	1.33	66.3	21.2	13	low
Weyerhaeuser/forest products	38	0.90	2.15	138.9	17.7	19	low
HJ Wilson/retail	18⅞	0.72	2.14	197.2	8.8	8	average
Yellow Freight System/trucking	23⅞	0.75	1.79	138.7	13.3	14	low

Source: Institutional Brokers Estimate System (IBES), a service of Lynch, Jones & Ryan.